



MASSACHUSETTS

Workforce Investment Act

WIA Communication No. 01-42

☒ **Policy** ☐ **Information**

To: Chief Elected Officials
Workforce Investment Board Chairs
Workforce Investment Board Directors
Title I Administrators
Career Center Directors
Title I Fiscal Officers
DET Regional Directors
DET Area Directors

cc: WIA State Partners

From: Angelo Buonopane, Director
Department of Labor and Workforce Development

Jonathan Raymond, President
Commonwealth Corporation

Jack King, Deputy Director
Division of Employment & Training

Date: August 29, 2001

Subject: Cash Management and Cash Requests

Purpose: The purpose of this issuance is to revise Corporation for Business, Work, and Learning Policy 00-43 on Cash Management and Cash Requests. The goal of the policy is to:

- (1) establish policies and procedures to insure minimal cash on hand, and
- (2) revise procedures for requesting cash for Workforce Investment Act (WIA) Title I funds.

Cash Management and Cash Requests

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The most significant changes to this policy are reflected in the “GRANT CASH REQUEST PROCEDURES.” This new process, involving DET as the Bank, only relates to any future WIA Title I allocations. Welfare-to-Work, National Reserve grants, JTPA carry-in and WIA State wide funds are not affected. Commonwealth Corporation will continue to issue contracts and reimburse cash regarding these funds.

Background: All operators are required to maintain procedures for management of cash from federal grants. The requirements for cash payments are found in the OMB Regulations at 29 CFR 95.22 and 29 CFR 97.21. Cash requests must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the operator in carrying out the purpose of the approved program or project.

This revised policy makes only small changes to the process for requesting cash. This reflects a collaborative effort among DLWD, CommCorp and DET to streamline the process and reduce the time between receipt of cash requests and disbursement of funds to local areas.

Action

Required: All subrecipients must incorporate this policy into their accounting procedures.

Effective: Immediately.

References: OMB Regulations at 29 CFR 95.22 and 29 CFR 97.21. OMB Circulars A-102 and A-110.

Inquiries: Any questions related to this correspondence should be directed to Vito Amorelli at (617) 727-8158 ext. 2350.

Filing: Please file this in your notebook of previously issued WIA Communication Series Issuances as #01-42.

CASH MANAGEMENT AND CASH REQUESTS

DEFINITIONS

Disburse means to issue a check.

Disbursement cycle means the process and time involved in the execution of an organization's normal payment system. For example, if it takes five working days to process a payment, the entity has a five day disbursing cycle. If personnel (salary) payments are weekly and nonpersonnel payments are on a monthly payment cycle, the organization would have two disbursement cycles for consideration.

Cash Request means any process whereby states request and receive Federal funds, and subrecipients request and receive funds from the *Commonwealth*.

Immediate needs means the amount of cash needed on a particular day to pay the amount of disbursements processed. Immediate needs can be determined in the aggregate of several days or the cash needs of each working day, depending on the organization's disbursing cycle.

WIA means the Workforce Investment Act of 1998, Public Law 105-220 and its implementing Regulations at 20 CFR Part 652 et al.

CONSTRAINTS

A. Federal Constraints

According to OMB Regulations at 29 CFR 97.20 – 97.21, each recipient and subrecipient shall be paid in advance, provided it maintains or demonstrates the willingness and ability to limit advanced funds to the actual immediate disbursement needs in carrying out Commonwealth Corporation (CommCorp) administered programs. When this basic standard is not met, reimbursement is the preferred funding methodology. Cash on hand attributable to CommCorp programs, including program income, refunds and audit recoveries, etc., must be disbursed before requesting additional cash payments.

B. State Constraints

The Commonwealth is required to comply with the Cash Management Improvement Act. In order to minimize cash at the subrecipient level and to insure payments are disbursed to subrecipients when the cash is needed, the following procedures must be followed in requesting funds.

GRANT CASH REQUEST PROCEDURES

A. Procedures

The new process below, involving DET as the Bank, only relates to any future WIA Title I allocations. Welfare-to-Work, National Reserve grants, JTPA carry-in and WIA State wide funds are not effected. Commonwealth Corporation will continue to issue contracts and reimburse cash regarding these funds.

Instructions for completion of the Cash Request Form are included at the end of this policy.

1. Fiscal Agents/WIA Title I Administrators should e-mail their request simultaneously to both CommCorp at cashrequest@commcorp.org and to the Division of Employment & Training (DET) at Wcash@DETMA.org. Requests by telephone and fax are not permitted.

Immediately after sending the e-mail cash request, the Fiscal Agent/Wia Title I Administrator must complete a Commonwealth of Massachusetts' Payment Voucher, with original signature, and should mail it to:

Roberta Ricci
Director of Fiscal Controls
Finance Department
Division of Employment & Training
19 Staniford Street, 5th Floor
Boston, MA 02114.

2. CommCorp will review cash requests and will send their approval to make payments to DET via e-mail. All cash requests will be processed by CommCorp within two (2) business days from receipt of request. If CommCorp determines that there is an excess amount of cash or other related problems and therefore cannot approve a request, CommCorp will notify the local area. CommCorp will also email DET regarding the status of the cash request.
3. DET will issue payments in the form of electronic transfers of funds or check within one (1) business day after receipt of payment authorization from CommCorp. If there are any issues with an actual payment previously made, then DET will communicate directly with the local area. DET will also email CommCorp regarding payment adjustments.
4. It is critical for the Fiscal Agents/WIA Title I Administrators to implement good cash management procedures. Thus, the following procedure must be in place:
 - Cash requests should be made as frequently as needed. Each request should include amounts necessary for checks that are scheduled to be issued during that week and any checks to be issued prior to receipt of the funds by electronic transfer or by check. This includes all cash expenses and posted expenses for which checks/warrants will be issued that same week.

Example: The cash request dated Monday, May 7th might include the following:

- A. Payroll (net) and related expenses incurred during the week ending May 5th, to be paid by May 11th;
- B. Overhead (rent, utilities, etc.) for payment by May 11th;
- C. Any other expense incurred that is “on the books.” (These expenses must be real and “auditable” in order to be included in the request for payment.)

B. CommCorp Withholding of Payments

There may be occasions when payments must be withheld for one or more grants for which funds have been requested. This will be done only when the subrecipient has been notified by CommCorp that the funds are being held, including the reasons for taking this action.

C. Adjustments to Cash Payments/Cash Balances

Funds must be recorded by the subrecipient in the same grant under which the funds were requested to ensure that the subrecipient's records and the *state's* records match.

CASH MANAGEMENT AT THE SUBRECIPIENT LEVEL

Introduction

It is critical for subrecipients to implement good cash forecasting procedures.

Forecasting

The cash forecasting system must identify specific needs within a specified time frame. Cash forecasting should be geared to the agency's disbursing cycle. It can be weekly, or on some other defined disbursement cycle or on an "as needed" basis. A valid check clearance pattern is an acceptable method for cash forecasting.

Subrecipients will be subject to the disbursement cycle/payment policies of CommCorp and the Commonwealth. In order to improve cash management at the subrecipient level, it is recommended that subrecipients time their disbursements to coincide with the receipt of cash.

As described in the Grant Cash Request Procedures, above, each cash request submitted to CommCorp and DET should include amounts necessary for checks that are scheduled to be issued during that week and any checks to be issued prior to receipt of the funds by electronic transfer or by check. This includes all cash expenses and posted expenses for which checks/warrants will be issued that same week.

Some additional considerations for accurate cash forecasting are:

- a. Net Payroll/Payroll Taxes/Fringe Benefits. Net payroll must be used for cash forecasting purposes instead of gross salaries and wages. Normally payroll deductions and tax deposits are disbursed at a time different from the payroll dates. Fringe Benefits, e.g., retirement, medical, FICA, and workers' compensation, are also normally paid in a period different from the corresponding payroll dates. In such instances, cash should not be requested until the actual disbursement dates for items such as payroll taxes and fringe benefit costs.

- b. Accrued expenses. In many instances accrued expenses will exceed cash receipts. Cash is not needed to accommodate an accrual until cash payment is issued.
- c. Obligations. Incurring an obligation does not require cash. Cash is needed only when checks are disbursed for those obligations.
- d. Other cash. To the extent available, operators shall disburse funds available from repayments to and interest earned on a revolving fund, program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.

Cash Management at Contractor Level

Reimbursement is the preferred method for funding contractors under a grant or subgrant agreement. However, the awarding agency, recipient, or subrecipient may provide advances to contractors after determining that:

- a. Reimbursement is not feasible because the contractor lacks sufficient working capital. Sources of acceptable documentation to support insufficient working capital include, but are not limited to:
 - 1. bank statements
 - 2. certification that the agency is precluded by law (specific cite) from using existing cash resources for Title I grants' purposes
 - 3. letter from auditor attesting to cash position
 - 4. prior audit period fund source update.
- b. The contractor meets the cash management standards prescribed by CommCorp, the Commonwealth, and the federal government which govern advances to subrecipients; and
- c. Advance payment is in the best interest of the awarding agency. Some considerations for "best interest" determinations, which should be documented, include:
 - 1. any detrimental effects the absence of a cash advance would have on the program
 - 2. lost efficiencies
 - 3. lost client advantages
 - 4. harmful effects of project delays.

CASH MANAGEMENT PROBLEMS

Local Policy

Some local governments require that cash be on deposit in the account before a check can be issued. In such instances local governments should be encouraged to regard funding documents (e.g., recipient issued letter of credit/subgrant award, contract, and/or Master Agreement), as cash on hand.

Penalties associated with checks rejected for insufficient funds.

Penalties imposed by financial institutions for bounced checks reduce resources available for Workforce Investment Act programs. Normally, such penalties can and should be avoided by proper cash management and negotiations with banks.

Adverse Action for Poor Cash Management Practices

Poor cash management practices include, but are not limited to:

1. Excess cash
2. Lack of documented cash forecasting system
3. Cash in the checkbook not reconciled to the books of original entry.

If monitoring visits identify poor cash management practices, CommCorp will require the subrecipient to institute corrective action within a reasonable period of time. If follow up visits indicate that the corrective action plan does not address the problems or if the corrective action plan is not implemented, then such subrecipients may be placed on a reimbursement basis for payments.

INSTRUCTIONS FOR COMPLETION OF CASH REQUEST FORM (EXHIBIT 1)

Cash request data and forms may only be submitted when an actual request is needed. Do not submit a request form for programs for which funds are not requested. Fiscal Agents/WIA Title I Administrators should e-mail their request to both CommCorp at cashrequest@commcorp.org and to DET at Wcash@DETMA.org. A completed Commonwealth of Massachusetts Payment Voucher (PV), with original signature, should be mailed to DET at:

Roberta Ricci
Director of Fiscal Controls
Finance Department
Division of Employment & Training
19 Staniford Street, 5th Floor
Boston, MA 02114.

Cash Request Form

Fill in the Operator Name, Preparer's Name, Preparer's Phone Number, and Preparer's Email Address, CommCorp Grant Number, Program Name, and Grant Start and Grant End Dates.

Specify the Period Ending for which cash is being requested.

Line 1 Grant Amount

Enter the amount of the grant as specified in the Contract. Please do not include any funds other than those in the Contract.

Line 2 Received Inception to Date

Enter the total grant award cash received from inception through the current request period for the program for which cash is being requested. This must also reflect any cash returned.

Line 3 Cash Requested But Not Yet Received

Enter cash requested, but not yet received, for the program for which cash is requested.

Line 4 Total Cash

Enter the sum of lines 2 and 3. (If you are using the electronic spreadsheet, the computer will calculate this automatically.)

Line 5 Cash Paid Out Inception to Date

Enter the cash paid out for each program, inception to date.

Line 6 Grant Balance Available

Subtract Line 4 from line 1 and enter the result here. (If you are using the electronic spreadsheet, the computer will calculate this automatically.)

Line 7 Cash On Hand

Subtract line 5 from line 4 and enter the result here. (If you are using the electronic spreadsheet, the computer will calculate this automatically.)

Line 8 Estimated Cash Needed for this Period

Enter the estimated cash needed for the request period for the program for which cash is requested.

Line 9 Estimate of Cash Request

Subtract line 7 from line 8 and enter the result here. (If you are using the electronic spreadsheet, the computer will calculate this automatically.)

Line 10 Actual Amount of this Request

Enter the exact amount of cash being requested.

Fill in the date the e-mail request is being made on the line “Cash Request Submitted by E-Mail on _____”.